

## GREEN BANKING - AWARENESS ON DEVELOPING PLANS IN PUBLIC SECTOR BANKS FOR FUTURE ENVIRONMENT

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### ABSTRACT

*Bio-diversity is the diversity of resources, where human beings are majorly dependent on natural resources. This concept is gaining momentum, as there no proper utilization of natural resources by mankind. Green banking is a concept which provides a number of ways to conserve natural resources in the banking industry. Green baking means promoting environmental-friendly practices and reducing our carbon footprint generated through activities which may have contributions from the banking events. It also means promoting activities of the banking clients who are in industrial or commercial activities which do not extract more from the planet than they put back in. The study done by the authors indicated that green banking not only involves updating of latest technology, but it also involves other factors such as green mortgage and providing loans for improvement of environment. Through the study, the authors also observed that the Green Banking concepts help to support in bringing down the Global Warming directly and also indirectly: directly by using less papers and indirectly providing loans for those industries which support and aid environmentally sustainable development and in the usage of renewable sources of energy*

**KEYWORDS:** Green Banking, Technology & Environment

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### INTRODUCTION

Green Banking means promoting environmental-friendly practices and reducing our carbon footprint generated through activities which may have contributions from the banking events. It also means promoting activities of the banking clients who are in industrial or commercial activities which do not extract more from the planet than they put back in. These come under the category, as mentioned earlier, of external dimensions. The internal dimensions come in many forms: reduction of the footprint through activities within the bank such as: using online banking instead of branch banking, disbursing bills online instead of mailing them, promotion of mobile banking, opening up Certificate Deposits and money market accounts by online banking, as an alternative to large multi-branch banks, encouraging or incentivizing customers to use the nearest local branch than making them drive large distance by burning fossils fuels, etc.

Every human activity has an impact on the environment and in particular, on climate change. Our `Carbon footprint` is a measure of all greenhouse gases that we produce in our day-to-day life through burning of fossil fuels for electricity, heating, transportation, other usages and activities, etc. It is measured in terms to units of tones (or kilograms) of carbon dioxide (CO<sub>2</sub>) emitted.

The concept of Green Banking took concrete shape in the early 1990's, but the practicing concept of Green banking existed a long while before, back in 1940's. It was not based on the extensive use of digital technology. The Green banking concept resembled more the approaches and principles of Islamic Banking.

There was a serious global concern that gave the push to the emergence of Green Banking concept in the 1990's. This was the discovery by environmental scientists and climatologists of the hole in the protective Ozone layer in the earth's stratosphere. The hole in the Ozone layer allowed dangerous wavelengths of the sun's UV rays to the earth's atmosphere and acting as carcinogens on the human skin. This phenomenon did not directly contribute to the increase in green-house gases, which was an unrelated phenomenon, but which become the main topic of study by environmentalists soon.

## **GREEN BANKING IN INDIA**

Banking customers have plenty of choices for selecting their financial institutions; they look for more modernized banking procedures and also use of technology in Banking. Since there is high demand for innovative development in the banking industry from the customers, banks are forced to adopt modern technology which will contribute to green banking. Increasing levels of environmental awareness are also driving a number of financial institutions to "go green". Banks play an indispensable role in mobilizing financial resources across the economy – in particular, providing capital for large scale infrastructure projects and low carbon technology development.

Banks such as State Bank of India are dealing with the mortgage lenders by offering special discounts on mortgages used to build or update building and homes to be greener. One of the reasons for the push for green mortgages is that green building more energy-efficient materials and building plans.

There are two types of green mortgages: the Energy Improvement Mortgage – It's like a second mortgage that is to be upgrade a home or building to be more energy efficient by installing energy saving items such as solar panels and improved insulation – and the Energy Efficient Mortgages for the construction of new energy efficient homes and building.

Carbon foot-print is a measure of the impact of our activities on the environment. It relates to the amount of GHG we are producing in day-to-day business while burning fossils fuels for electricity, heating, transportation, etc. Banks can reduce their carbon footprints by adopting the following measures:

- **Paper – Less Banking**

As banks have computerized their branches, there is ample scope for doing paperless or less-paper banking. Mostly PSBs use huge quantities of paper for office correspondence audit reporting, recording public transactions, etc. It is a well-known fact that it takes 17 large, mature trees to make a ton of paper. Life-cycle analysis of the paper shows that 0.30 to 0.32 tons of carbon (1.11 to 1.17 tons of CO<sub>2</sub>) is emitted for every ton of paper produced. Banks can and should therefore switch over to electronic correspondence and reporting. Banks should encourage their customers also to switch over to electronic transactions and popularize e-statements.

- **Energy Consciousness**

Developing energy- consciousness, adopting effective office time management and automation solutions and using compact fluorescent lighting (CFL) can help banks save energy consumption considerably. Banks can conduct energy audits in all their offices for effective energy audits in all their offices for effective energy management.

They can also switch over to renewable energy (solar, wind or a hybrid thereof, etc.) to manage their offices and ATMs.

- **Using Mass Transportation System**

Banks can become fuel efficient organization by providing common transport for group of officials posted at one office.

- **Green Buildings**

The India banking industry uses more than one lakh premises for their offices and residential houses throughout the country. These banks should develop and use green buildings for their carbon footprint but also save the operational costs considerably.

- **Social Responsibility Services**

As part of the green banking strategies, Indian banks can initiate various social responsibility services such as tree plantation camps, maintenance of parks, population check-up camps, etc.

## **PUBLIC SECTOR BANKS IN INDIA**

Public Sector Banks (PSBs) are banks where a majority stake (i. e. more than 50%) is held by a government. The shares of these banks are listed on stock exchanges. There are a total of 27 PSBs in India.

The Central Government entered the banking business with the nationalization of the Imperial Bank of India in 1955, where a 60% of stake was taken by Reserve Bank of India and the new bank was named as the State Bank of India. The seven other state banks became the subsidiaries of the new when nationalized on 19 July 1960. In the year 1969, the major nationalization of banks took place from Government of India, and nationalized an additional 14 major banks. The next round of nationalization took place in April 1980, with six banks. The objectives behind nationalization where:

- To break the ownership and control of banks by a few Business Families
- To prevent the concentration of Wealth and Economic Power
- To mobilize savings from masses from all parts of the country
- To cater to the needs of the Priority Sector

To share of the banking sector held by the public banks continued to grow through the 1980`s and by 1991 the public sector banks accounted for 90 percentages of the banking sector. A year later, in Marc, 1992, the combined total of branches held by public sector banks was 60,646 across India, and deposits accounted for Rs.1, 10, 000 crores. The majority of these banks were profitable, with only one out of the 27 public sector banks reporting a loss. However, the early 2000s saw a reversal of this trend, such that in 2002-03 a profit of Rs.7,780 crores by the public sector banks, a trend that continued throughout the decade with a Rs.16,856 crore profit in 2008-09.

## **STATEMENT OF THE PROBLEM**

Green Banking motivation benefits enormously in the imminent generation, but awareness, inadequate implementation and usage has come to be very fewer. Public Sector Banks in India, except State Bank of India, are still on nascent stage in adopting Green Banking, even though, one can see the virtuous enlarged implementation of Green

Banking in MNC Banks and Private Banks in India. The research problem is to decide the stage of Green Banking concept in Public Sector Banks, where these banks are lagging behind with comparable to Private Banks.

## **NEED AND IMPORTANCE OF THE STUDY**

Banking Sector was the first to take an initiative for Green concept, where to lend a hand for bringing down a Global Warming of 20-25 percent on or before 2020. This industry plays a predominant role in the Economy, and also has good network with various industries, in the way of Depository or Advances and Loans.

Public Sector Banks are lagging behind with adopting of Technology and Green Banking concept, whereas, private banks are taking an advantage of Technology and Green Banking attract the customers and earning good profit. In the public sector banks the success rate is good at State Bank of India, but not in the subsidiaries. State Bank of India started enjoying the benefits of the concept of Green Banking and Cost Reduction in the Operations, where in turn profits can be made.

The present study is focused on the importance of the concept of Green Banking to Public Sector Banks and also to bring awareness among the banking staff about Green banking and its benefit to society and economy which in return will reduce Carbon emission and thereby reduces the global Warming. This study on Green Banking with Public Sector Banks has shown the present status of the awareness of the Green Banking concept among the bankers on the development plans for the future environment. The study was a regional study and focused only on Public sectors Bank whose corporate offices are located in Karnataka.

### **Objectives of the Study**

The following are the objectives of the study

- To identify the awareness of Green Banking concept in Public Sectors Banks
- To find out whether Green Banking can lend support to overall reduction in Global Warming
- To find out the developing strategies/plans on Public Sectors Banks for future environment

### **Scope of the Study**

The study mainly focused on the Green Banking in the Banking Industry, with a focus on the Public Sector Banks. The study also emphasized on awareness, cost reduction, attracting customers and usage of technology. The study also analyzed the difficulties faced by the customers and bank officials.

## **Research Methodology**

### **Type of Research**

The researchers used exploratory research as the research problem need more clarity and requires the perception of the administrators to implement the Green Banking concept.

### **Type of Data**

**Primary Data:** The data collected through Personal Interview with the Experts.

**Secondary Data:** The data Published and unpublished materials.

- **Sampling Designs**

A Judgmental Sampling was used while selecting the Public Sector Banks and it was decided to select the samples from the branches of Public Sector Banks whose corporate offices are in Karnataka as a part of the regional study. We have used convenience sampling while selecting the Banking officers and we have identified the corporate offices as well as the Head Offices located in Karnataka. The study was confined to 50 officers who responded positively for the study.

- **Data Collection**

Personal Interviews were conducted using questionnaires with the experts by visiting them at different locations like Bangalore, Mangalore, and Manipal.

**Limitations of the Study**

- It is limited to Public Sector Banks, which have their corporate and Head offices in Karnataka. The banks under this study are Corporation Bank – Mangalore, Syndicate Bank – Manipal, Canara Bank – Mangalore and Vijaya Bank – Bank.
- It is limited to the short period of data collected.
- Not all the banking officials are interviewed due to shortfall duration in the visits and tight schedules of their workings.

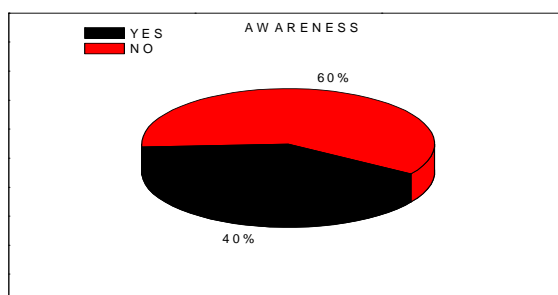
**Analysis Respondents on Awareness in Green Banking**

**Table 1**

Awareness	No. of Respondents
Yes	20
No	30
<b>Total no. of Respondents</b>	<b>50</b>

**Interpretation**

The above table and graph shows that the majority of the respondents say that they are not aware of the Green Banking Concept (that is 60% of the respondents). The graph represents that only 40 percentages of the banks officials are aware of the Green Banking Concept. The Awareness of the Green Banking concept in the Banks Officials does not have a clear understanding (that is The Bank officials like Chief Managers of the few branches). The experts say that the Bank officials should be given clear understanding of the Green Banking Concept and its helpfulness towards the whole.



**Chat No 1.1**

The overall study gives clear information about the kind of awareness with Bank Customers and Bank Officials.

### Interpretation

The calculated correlations are 0.344, 0.331 and 0.701 which are positive correlation and found significant statistically among the Green Banking effect on reducing the Carbon Footprint of Individual, Global Warming and Green Environment and Environment friendly nature.

**Table 2: Correlations**

			<b>Do you Feel Green Banking Reducing the Carbon Footprint of Individual</b>	<b>Can Green Banking Concept Helps to Reduce Part of Global Warming</b>	<b>Green Banking Concept Helps to Green Environment and Environmental Friendly Nature Present and Future</b>
<b>Spearman's rho</b>	<b>Do you feel green Banking reducing the Carbon Footprint of Individual</b>	Correlation Coefficients	1.000	.344(*)	.331(*)
		Sig. (2-tailed)	.	.014	.019
		N	50	50	50
	<b>Can Green Banking Concept helps to reduce part of Global Warming</b>	Correlation Coefficients	.344(*)	1.000	0.701(**)
		Sig. (2-tailed)	.014	.	.000
		N	50	50	50
	<b>Can Green Banking Concept helps to reduce part of Global Warming</b>	Correlation Coefficients	.331(*)	.701(**)	1.000
		Sig. (2-tailed)	.019	.000	.
		N	50	50	50

\* Correlation is significant at the 0.05 level (2-tailed)

\*\*Correlation is significant at the 0.01 level (2-tailed)

The result which was expected in beginning that the customers may have less understanding on the concept, they think the Green Banking means Technological Banking, where it leads to paperless transactions. Coming to the understanding of the Banking officials have fair idea of the Green Banking concept, where they look for the full-fledged implementation of Green Banking concept step by step where waiting for the higher authorities approval and Central Bank's permission.

These bank's look for environmental protection and also are looking to lending support for environment protection project/loans. To conclude that the awareness on the Green Banking concept in the Public Sector Banks are still in infancy stage among the PSBs whose corporate offices are in Karnataka. The research proved that the Green Banking concept helps to support in bringing down of the global warming directly less use of papers and indirectly, directly less use of papers and indirectly providing loans for those industry supports and helps for the better environment in the usage of renewable source of energy.

According to the correlations, also it proved that the few public sector banks are planning for developing the future the plan for the Environment protection in the proper strategic planning.

### Findings

First question in personal interview was asked for the identification of the awareness of Green Banking concept in Public Sector Banks, where the banks officials have an idea but Green Banking was understood as technology banking and

environment protection.

### **Suggestions**

The Green Banking concept in the Banking Industry can lend a huge support for reducing the Global Warming, through reduction in paper, reduction in using of electricity which is run through fossil burnt (i. e. usage in renewable source of energy), reducing the loans and advances for those industry where not using the proper environmental steps and encouraging the industries or the customers who initiates the environmental protection concept and green banking concept.

### **CONCLUSIONS**

A clear understanding was made through this research that few selected bank officials are not clear on the concept of Green Banking and its working they feel that Green Banking is of a Technology banking, where other bankers have good idea on the concept. The banks officials felt that public sector banks should look more apart from paperless banking, where green mortgage, green banking, etc., so there should be an appropriate generation of electricity and its utilization. Then the Lean and Green Banking concept may lead to increase in the profits of banks in normal operations, which can help in development of the banks. The Green Banking concept helps to support in bringing down of the global warming directly and also indirectly and also indirectly, directly less use of papers and indirectly providing loans for those industry supports and helps for the good and better environment in the usage of renewable source of energy. The bankers are also working on developing plans for future environment protection with proper strategic planning.

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